EXPLORING CONNECTEDNESS BETWEEN REGULATORY IDENTITY AND STRATEGIC OUTCOMES

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Abstract. This study aims to extend the concept of organizational identity, the soul of organizational culture, and its five characterizing attributes, namely, purpose, philosophy, priorities, processes, and projections, to the regulatory space. It has been done through a thematic review of previous articles. Although a few academic articles in the public policy arena have dealt with one or two of these attributes, there is a lack of a holistic evaluation of the regulatory framework covering all these five attributes of regulatory identity. After building an understanding of how these elements have evolved in public policy and regulation domains, we have hypothesized that processes and projections of the regulatory framework need to be aligned with the core regulatory identity (constituted by purpose, philosophy, and priorities) for achieving strategic outcomes. On the other hand, a change in the long-term strategy should trigger a reassessment of organizational priorities followed by the realignment of the core regulatory culture to guide decision-making and organizational actions. Finally, since the regulatory processes or practices, both internal and external, are the actions that keep the regulatory identity alive, therefore, they should be aligned with the core identity and culture of the regulatory framework.

Keywords: regulatory identity, regulatory philosophy, regulatory purpose, regulatory priorities, regulatory practices, regulatory projections, strategic outcomes.


JEL Classification: G38, H11, K23, L51, O21
Introduction

Regulation, as a concept, bears multifarious meanings, such as social control mechanisms at the disposal of the state; various efforts made by the government to drive the economy and reduce market failures (Jordana and Levi-Faur, 2004); framing of a set of rules along with some mechanisms for implementation and compliance of these rules. Regulation may be viewed as a control function of the government, prescribed by law, which directs the decisions and actions of firms in the public interest. A sound regulatory institution design should incorporate purpose, board, legislative procedures, executive procedures, judicial procedures, and reporting. If mandated by the underlying legislation, this design clarity may establish feedback loops through which the state’s capacity may get enhanced.

Regulatory institutions refer to government departments, agencies, and bureaus that implement regulatory provisions. The regulatory provisions may cover framing, enforcement, and monitoring of standards that guide the regulated community (Pink and Marshall, 2015). The regulatory system consists of a collection of regulatory practices that implement regulatory provisions, while the environment in which regulatory systems operate may be referred to as regulatory environments.

The regulatory framework is defined as an infrastructure support (set of agencies, actors, and supervisors) that exists to control, direct, oversee and implement an adopted rule, law, or course of action (Zama and Hedley, 2016). The regulatory framework is an underlying structure used by the government to manage laws, rules, and regulations for addressing social, economic, and market imbalances (Vivoda et al., 2019). It presents the legal basis of operation to society, incentivizes investment, ensures the effectiveness of linked markets, and assists in setting up a commercial environment while preventing anarchy and limiting certain undesired activities.

Regulatory culture is an abstract concept used to explain the behavior of regulatory authorities and private players in the regulatory space (Meidinger, 1987). It may be viewed as the infrastructure that translates legislative requirements to compliant practices in reality. A regulatory culture may be characterized by shared values regarding the relationship between individuals, markets, and the government; common administrative and legal traditions and principles; regulatory discretion enjoyed by public authorities; regulatory competencies distribution and associated organizational structures (Meidinger, 1987). At a national level, the inherited ethical behavioral norms for government, industry, and individuals constitute regulatory culture. In addition, the regulatory culture is characterized by lawful authority and reporting structure, formulation of specific rules, technology adopted for monitoring compliance, penalties for violations, roles of consultations, rights of judicial review with regulation (Kane, 2016).

The usage of organizational culture and associated concepts is popular in Human Resource Management (HRM) literature. Culture is described as one of the most powerful and stable forces operating in organizations (Schein, 1996). The interest in organizational culture may be traced to its relationships with other
important variables such as employee retention, improvement initiatives, knowledge management, discipline, and productivity (Margolis, 2009). Many academicians have linked organizational culture with HRM practices. Another construct close to the 'organizational culture' construct is organizational identity. The organizational identity captures its meaning, spirit, and enduring characteristics/attributes. It is a phenomenon central to social processes, perceived by outsiders and experienced by organizational members in real organizational outcomes (Corley et al., 2006, p. 89). Culture presents the much-needed context wherein identity is established and operated.

The concept of regulatory culture, particularly regulatory identity, may play a very important role in implementing reforms. If not accounted for appropriately, the regulatory culture may often retard the regulatory reforms. For instance, privatization and other regulatory reforms requiring transition to a new mode of regulation were mostly complicated and difficult to complete in practice. The delay in the onset of the required new regulatory culture may be attributed to old behavior patterns and habits.

From the preceding paras, it is evident that there is adequate realization in public policy literature regarding the importance of regulatory culture in the outcomes of regulatory reforms. However, there is a lack of study making use of regulatory culture as a concept. Moreover, there is a lack of consensus regarding their definitions, applications, and theoretical implications. This study attempts to approach regulatory culture and regulatory identity by building on the understanding of organizational culture and identity as found in the HRM literature. Further, we have explored how the alignment of regulatory identity with the regulatory reforms / regulatory framework may assist in achieving strategic outcomes and also in enhancing regulatory effectiveness. This has been done through a thematic review of over 70 relevant articles.

The next section (section 2) elaborates on the research methodology adopted in this study, followed by section, inter-alia, covering an overview of organizational culture and organizational identity as prevalent in the HRM literature. Section 4 deals with application of the 5Ps model to the regulatory space, while the next section describes the growing interest areas and status of adoption of regulatory governance. Similarly, section 6 contains a thematic review on regulation, national interest, and strategic outcomes, while sections 7 and 8 deal with discussion and conclusion of this study.

Research methodology

This section elaborates the research methodology used in the study to explore following research objectives – (i) to explore the concept of regulatory culture and regulatory identity based on the understanding of organization culture / identity found in HRM literature; (ii) to explore how alignment of regulatory identity with the regulatory reforms and regulatory framework may improve strategic outcomes and regulatory effectiveness. The research methodology used in this study is influenced by the literature review technique suggested by de Oliveira et al. (2018). The thematic literature review consisted of eight steps:
(i) identify literature review period, (ii) identify search keystings, (iii) identify search engines/database, (iv) identification of academic articles, (v) removal of duplicate articles, (vi) reading of articles and elimination of unrelated articles, (vii) preparation of database for thematic articles, (viii) identification of major themes and their descriptions.

The literature review period was left unrestrained to capture seminal work using three academic search databases: Google Scholar, Emerald, and Science Direct. These multiple academic search databases are multidisciplinary and possess electronic search capabilities, inter-alia, covering social sciences domains (Sigerison and Cheng, 2018). The academic search databases short-listed are multidisciplinary, electronic databases, inter-alia, covering social sciences. The multi-database selection ensured coverage of more possible research articles from extensive sources. The study used multiple search strings: organizational culture, organizational identity, 5P model of regulatory identity and its five attributes (purpose, philosophy, priorities, practices, and processes), regulation in OECD and developing countries, smart regulation, national interest, and strategic outcomes. The identification of academic articles using multiple academic search databases, reading of articles and elimination of unrelated articles resulted in identification of 74 relevant peer-reviewed articles for undertaking thematic articles. We adopted a funneling approach to short-list articles using search strings in the title, abstract, and keywords only. The industry reports, conference articles, and duplicate articles were eliminated.

**Thematic analysis**

Thematic analysis intends to categorize the state of the art relevant academic articles, whose results are presented in the subsequent sections. The two research objectives have been addressed using thematic analysis of the content of short-listed academic articles. Thematic analysis is a popular qualitative method based on the identification of patterns in data. It is often viewed as a basic method that can cater to broad theoretical perspectives and research interests (Braun and Clarke, 2013). The six-phases of thematic analysis, presented in Figure 1, should be viewed as a recursive process rather than a linear one.

**Figure 1. Steps followed in thematic analysis**
Organizational culture and organizational identity

The concept of culture is common to many academic disciplines. The Organizational culture may enable a group of people to coordinate with each other. Shared understanding about the system gives a meaningful reference to the people who interact and interpret the system’s information (Meidinger, 1987). The Five Ps organizational attribute model propounded by Margolis (2009) uses purpose, philosophy, priorities, practices, and projections to depict an organization from a system-wide perspective. It facilitates the definition and management of organizational identity (refer to Figure 2).

Organizational identity, regarded as the soul of organizational culture, captures the organization’s meaning, spirit, and enduring attributes by using three central defining criteria: central, distinctive, and enduring. These triads, taken together, distinguish one organization from another (Whetten, 2006). Centrality, the first central defining criteria, refers to norms, values, and beliefs anchored to the organizational mission, which are fundamental, essential, widely shared, deep, and core essence (Whetten, 2006, p. 221). The distinctiveness criterion refers to the unique characteristic that acts as distinguishable organizational features. It justifies the existence of an organization as a distinguishable actor (Whetten, 2006, p. 223). Finally, the endurance criterion reflects the deepest commitments, something which is resistant to change – has emerged over time. Thus, it acts as an anchor and inertia for the organizational stakeholders (Whetten, 2006, p. 224).

![Figure 2. 5Ps Model of organizational identity](image)

The 5 Ps of the model are related to each other through linkages of interactions, beliefs, images, behaviors, and interactions. The organizational purpose explains why the organization exists (important work that members do), thereby inspiring and motivating its stakeholders. Hence, to enhance organizational purpose, it must be conscious, discussed, and shared. The organizational philosophy is the fundamental, essential and enduring belief that distinguishes the organization from the rest. It reflects the personality of the organization, explaining how members execute their work, and deliver the organizational purpose.
The combo of purpose and philosophy, forming an organization’s nature, adds distinctiveness and endurance to the organizational identity. Organizational priority in terms of values guides how the organization shall attain its strategies (what/which). Priorities play a dominating role in the finalization of shared principles that guide behaviors of the organizational members. A change in strategy may trigger a reassessment of organizational priorities. Important priorities may include teamwork, partnership, cooperation, and collaboration, etc. The purpose, philosophy, and strategic priorities constitute the core culture of an organization, which creates a framework that guides decision-making and organizational actions.

Practices, both internal and external, are those actions and behaviors that keep the organizational core culture alive. External practices are the interactive activities between the organization and the outside world (including customers, products and services, partners, suppliers, and vendors). Therefore, it must be aligned with the core culture of the organization. Organizational projections are the reflections of organizational culture to the public, and hence need to be aligned with the organization’s core culture. They are meant to influence the outsiders but also impact the views of organizational members about the organization. It may include name, brand, logo, symbols, leadership image, public relations, etc. (Margolis, 2009).

Applying 5Ps model to regulatory space

The organizational culture and organizational identity are established as powerful and sustainable forces that drive an organization to interact with its environment or undergo organizational change. We hypothesize that regulatory culture and regulatory identity, either within the context of regulatory institutions or at the macro-level of sector/nation-wide regulatory framework, may help in better understanding of wicked problems related to regulatory governance. For instance, (i) why do privatization and other regulatory reforms exhibit variation in adoption and outcomes in different sectors and countries/regions? (ii) why do repeated regulatory reforms fail to bring in desired changes in the industry or timely achieve the intended objectives connected to those regulatory reforms? In line with the concept of the core culture of an organization, the core regulatory culture shall comprise a regulatory purpose, regulatory philosophy, and regulatory priorities. The regulatory practices and regulatory projections need to be aligned with the core regulatory culture.

**Regulatory purpose**

Regulation is viewed as a way of social control guided by the procedure and purpose of the regulation (Noll, 1980). The general meaning associated with the purpose of regulation has evolved with the passage of time (refer to Tab. 1).

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1 A wicked problem may be construed as a complex problem that lacks definition clarity and is difficult to solve.
Evolution of meaning of purpose of regulation

<table>
<thead>
<tr>
<th>Author (Year)</th>
<th>Purpose of regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Noll (1980)</td>
<td>Make the change in market/business less abrupt and affect the performance of firms by indirectly influencing their decision making</td>
</tr>
<tr>
<td>Shapiri (1994)</td>
<td>Tackle market defects, market failures and enhance market efficiency (economic theory perspective)</td>
</tr>
<tr>
<td>Llewellyn (1995)</td>
<td>Protection of consumer interest on the rationale of economic rather than paternalistic</td>
</tr>
<tr>
<td>Ritter (2010)</td>
<td>Initiatives are taken to protect the public good and control risks that society may face.</td>
</tr>
<tr>
<td>Chalmers et al. (2012)</td>
<td>The dominance of regulators by regulation does not characterize the purpose, but it is the private interest that dominates the public interest</td>
</tr>
<tr>
<td>Barton (2012)</td>
<td>Facilitate product development by providing appropriate guidelines to manufacturers to achieve a balance between benefits and risks</td>
</tr>
<tr>
<td>Mirrlees-Black (2014)</td>
<td>Protection of consumer interest from the perspective of public policy (primary purpose)</td>
</tr>
</tbody>
</table>

Source: Created by authors based on literature review.

The interconnections among the variables influencing regulatory decisions and conflicts among the welfare criteria adopted by the regulators make the regulator’s role (and purpose of regulation) much more complicated (Noll, 1980). Although any regulation may not intend to change the firms’ behavior directly, the behavioral change may unintentionally occur due to linkages between performance and decision variables.

A narrow perspective regulation may consist of actions/initiatives by the government to steer the economy and govern using rules. Economic instruments like taxes, charges, exemptions and subsidies, advertising codes, and tradable permits may shape market outcomes (Ritter, 2010).

The secondary purpose of the regulation (consumer protection being the primary purpose) may range from control of inefficiency, high costs, earning of excess profits, incongruous high wage payments, which may lead to higher prices at the consumer end (Mirrlees-Black, 2014).

The normative tradition views regulation as state activity to serve the common interest, where the regulatory purpose is to achieve publicly desired outcomes. Therefore, it demands disinterestedness and trustworthiness of regulator specialists and uses expert knowledge to achieve the targeted regulatory goals (Lidskog et al., 2005).

The regulatory purpose has also been explained from the perspective of a specific sector – (i) In the context of mobile health applications, the regulation may be intended to safeguard users’ interests by mitigating potential risks that can arise from a device (Barton, 2012).
Regulations meant for consumer protection in retail investment services are associated with economic rather than any paternalistic cause. Possible reasons may include – improved quality standards, enhanced investors’ confidence in the market, consumer benefits naturally flowing from economies of scale. Further, consumer welfare is linked with corrective regulatory measures to promote competitiveness and overcome market imperfections (Llewellyn, 1995).

In the health sector, the purpose of regulation is to promote uniform and high-quality health services at optimum cost (Welsh, 1996). The author has suggested the use of self-regulation to increase the acceptability of regulation among the network of physicians.

In the context of the financial and capital markets, the purpose of regulation should be to appropriately fix the lowest ceiling of utility product price without compromising the ability of the company to raise the capital needed to operate sustainably.

The purpose of regulation in electricity network regulation is to secure public interest and serve that part of the market where full competition fails to deliver by creating a condition similar to the competition. The regulator has to deal with the exclusion of prices, significantly exceeding the one in a competitive industry, and low prices obstructing competition due to cross-subsidization (Kinnunen, 2004).

From the organization’s perspective, the improvement of organizational performance vis-à-vis regulator’s expectations has been viewed as the purpose of regulation. Therefore, the mechanisms adopted by the regulator may include forcing the companies to commit fulfillment of those regulatory expectations, inter-alia, by following the regulatory expert advice (Spira and Page, 2010).

**Regulatory philosophy**

The regulatory philosophy is the general approach of regulatory institutions towards regulations that helps them identify priorities, rationalize activities, and establish effective communications with their stakeholders (Bayne, 2012). The regulatory institution must be aware of, situated within, and establish an engaging relationship with its environment. Evaluation of existing regulatory frameworks and trends gives good insight into the underlying regulatory philosophy. Further, the extent to which one is aware of “seeing and being seen” has profound implications for how regulatory institutions allocate their time and other resources (Bayne, 2012).

Regulatory philosophies have been grouped into the continental and Anglo-Saxon categories. The continental philosophy views regulation as a tool to achieve socio-political goals, out of which the market adopts those that are coincidental with their goals. The Anglo-Saxon philosophy, on the other hand, emphasizes a neoclassical economic approach to ensure that market works efficiently without getting burdened by regulations. There is a shift in regulatory focus towards Anglo-Saxon philosophy, thereby marking a distinct movement into the age of deregulation and market liberalization (Button, 2005).

Regulatory philosophy exhibits region/ country-specific popularity. For instance, the regulatory philosophy of Japan is driven by medium and long-term
goals and emanates from the “no-principle” approach (Schaede, 1992). It is inspired neither by free market theory of the US nor by the explicit responsibility of government to ensure market fairness and social security (Germany model). Japan modulates the medium and long-term rules whenever goal achievement demands it. The Japanese no-principle approach is also assisted by “consultative capitalism” (institutional consultation and cooperation between business and government) and credible commitments to sync with goals and strategies. As Japan progressed from a developing country to an industrialized nation, it was guided by policy tools to achieve economic growth goals. However, the underlying regulatory philosophy remains unchanged. Unlike a free market, regulation here is not associated with a negative connotation of intrusiveness and disturbance in the minds of those regulated (Schaede, 1992). Haggard (2015) has argued that debates about the future of the developmental state should encompass the role of industrial policy as well as the issue political change. Moreover, development of state may also be inherently linked to state capacity, rather than attributing it to market-oriented policy and appropriate interventions alone.

The regulatory philosophy also shows sector-specific characteristics:

(i) The philosophy of drug regulation has progressively embraced newer concepts and attributes. It started with adulteration and expanded to misbranding, safety, efficacy, and investigational control.

(ii) In the 1970s, a debate took place among activists about the philosophy of regulation of the aviation transport sector. One group didn’t find any deficiency in the existing air transport system. In contrast, the other group of ‘deregulators’ advocated a fundamental change in regulatory philosophy in the industry by removal of almost all controls related to entry, exit, fares, and routes. The deregulators won the battle when the Airline De-regulation Act was passed in 1978. It virtually removed the whole regulatory system except for safety and airworthiness (Tucker, 1982).

(iii) While financial reforms in the US in response to the 2008 financial crisis through the Dodd-Frank Act stipulated for the separation of trading and banking books, the EU reform proposals aimed at redesigning banking regulation based on Basal Committees reports. However, a comparison of these two financial reforms revealed similar underlying philosophy as the philosophy drives both to encourage financial innovation to increase welfare of consumers and society (Tropeano, 2011).

(iv) Japan has a resilient professional self-regulation ecosystem in healthcare that continues to impact its direction of policy development, although some common trends (such as the creation of arm’s length regulatory organization and greater transparency) are also visible (Kodate, 2018).

(v) Kramer et al. (2014) identified emerging tools / techniques that could be adopted to revolutionize medical device regulation in developed countries (like Japan) and developing countries. The article focused on regulatory institutions, adverse event reporting, premarket evaluation, post-approval studies, and quality system regulations.

The responsive regulation philosophy covers a wide spectrum of regulatory enforcement styles (for example, the behavior of inspectors towards regulated par-
Regulatory priorities

According to the German historical school, the regulatory priorities of each historical period and society are characterized by a few unique qualities established by their political, economic, ideological, and cultural interests. Thus, the choice of regulatory decision-makers is influenced by their wisdom, shaped by the political and legal culture of their community (Andriychu, 2010).

Regulatory decision-making is mostly required on issues that lack scientific knowledge and can rarely be expressed scientifically or addressed by scientific methods. Consequently, regulatory priority is normally assigned to the issues that are newly discovered, poorly understood, devoid of scientific knowledge, and gained sudden importance (Otway and von Winterfeldt, 1992). Thus, regulatory institutions have to consistently deal with the inevitable gap between the requirement of adequate information and the ability to collect it.

A few researchers have dealt with regulatory priorities from the perspective of a specific sector/industry. For instance, in the context of the Nuclear Regulatory Commission’s regulation of licensing and reprocessing facilities, Park and Shin (2016) categorized regulatory gaps into high and moderate priority, namely, regulatory framework and definition, waste and environment, safety and licensing, safeguards and security, financial protection and fees.

The regulatory priority is assigned to insolvency prevention in the insurance sector (Nektarios, 2010). Similarly, the topmost regulatory priority is assigned to long-term stability in financial reforms (Tsang, 2017). The study was based on an analysis of post-crisis financial reforms. The author advocated for an urgent balance in the government’s approach to the financial ecosystem to maintain its topmost regulatory priority.

Regulatory processes

The policies, procedures and steps that guide the formulation and implementation of regulation by governments are known as regulatory processes/practices (Martin et al., 2007). Regulatory practices (or processes) can be viewed as the activities undertaken by a regulatory institution to give effect to regulatory provisions. The regulatory processes also include human resource management engaged in their day-to-day work (Pink and Marshall, 2015). The regulatory process creates a framework that assists in skillfully designed applications for better laws from the perspectives of formulation and implementation. It is done by allowing transparent contestations of regulatory options. Poor regulatory processes may result in poor design and implementation of regulations (Martin et al., 2007).

Regulatory process can also be viewed as the ability of regulation participants to address issues related to excessive demands vis-à-vis mechanisms in place to find collective demands and transform them into motivation/pressure to achieve them in an adaptive manner. However, Hall and O’Toole (2004), while suggesting an appropriate design of the formal implementation network of actors, argue that the regulatory process, in general, adds complexity to im-
implementation patterns by complicating existing implementation structures and introducing new actors into them.

There is a lack of understanding of how the regulatory process affects regulatory substance and vice versa. A comparative evaluation of the regulatory process in two presidential regimes revealed that although the regulatory preference of Bush and Clinton appear different on the surface, there was hardly any difference in the regulatory process adopted by the two regimes (Shapiro, 2007). These findings cast doubt on the effectiveness of procedural reforms in the regulatory process. One possible explanation for the similarity found in regulatory processes by the two presidential regimes can be attributed to coalition drift. The regulatory processes of the Clinton administration, which favored regulation, were introduced by the earlier regimes of Reagan and Bush, who favored deregulation. Another explanation is the concept of bureaucratic organizations that were common in the two presidential regimes (Shapiro, 2007).

Regulatory processes, in general, are characterized by the need for a constant balance between the interests and conflicts of different stakeholders. Further, pressure to change and needs complicate finding a stable and consistent policy course representing a regulatory process. Thus, in practice, regulatory processes may show many complexities and dynamic fluctuations.

There is an increase in the participation of third-party agencies (private entities comprising of professionals, businesses, and industries) in the regulatory process for public enforcement activities. However, the traditional cost-benefit approach is not effective in capturing/explaining non-compliance by third-party agencies.

**Regulatory projections**

Regulatory projection may be viewed as the image that any regulatory institution may promote among its various stakeholders. For instance, the legal profession may intend to promote its image of altruism.

Regulatory projection has been presented as the competency of any regulatory actor to extend domestic regulations beyond geopolitical borders (Buenger, 2016). Here, domestic laws, with territorial jurisdiction are used to bring in extra-territorial effect in un tethered normative space.

Regulatory projection can be influenced by internal regulatory actors’ collective capacities and perceived competencies of those collective capacities by external regulatory actors. Regulatory projections, a consequence of globalization, can play an important role in setting global standards and segment-specific regulatory competition and cooperation. Regulatory projection is popular in economic-centric considerations – for example – management of competition, global financial system, and policing. The regulatory projection also gains importance in addressing non-economic and value-centric issues – for instance, labor rights, human rights, and environmental and climatic degradation.

While extending domestic regulation beyond the geopolitical border, regulatory projection gets strengthened by the perception of virtual citizenship (for asserting rulemaking authority), association between domestic interests and extraterritorial behavior (for asserting regulatory jurisdiction), and the relative dif-
ference in the capacities of regulatory actors. Regulatory projection has often been viewed as diminishing the importance of international regulations and regulatory cooperation (Buenger, 2016).

Regulation, national interest, and strategic outcomes

**Regulation and national interest**

From a realism perspective, the national interest may be given paramount importance by the regulatory institutions (Caney, 2002). Thus, from the realism perspective, a state can adopt protectionist policies and design its foreign policy to protect its national interest. However, this approach may prove detrimental to international trade.

The ‘national interest’, an outcome of debate, deliberations, negotiation, and questioning in the nation-state context, is majorly at stake in regulatory processes. However, its expression gets complicated at the international level relying on negotiations and contestations. Thus, the nation-interest gets involved in the continual, uneven, and reflexive regulatory process. It may undergo a radical shift with a change of government or under political and media pressure (Dodd, 2000). In many cases, state regulation has to compete with other forms of competition in the regulatory space. The regulatory process can involve four stages of emergence, drafting, implementation and impact. Regulation of industry to gain a political advantage may result in the adoption of protectionist approaches and policies. Domestic import-competing industries may seek a protectionist response from their regulator. Such initiatives may be led by national interest groups. Even autocratic regimes may do policy management in the garb of coincidence between their self-interest and national interest. Although democracies cannot afford the selfishness of their leaders, they have to defend their policies in terms of the national interest. Thus, the search for the articulation of the national interest is constant.

**National interest influence on sector-specific regulation**

The insurance market well serves the national interest if the regulations can ensure strong competitiveness through independent regulatory agencies. A strong competitive insurance market can extend high-quality policies and services at low prices to citizens and businesses (Skipper and Klein, 2000). A general subsidy could carry the best way to preserve industries, firms, and services in the national interest. This is in line with the suggestion given by critics of price regulation (Noll, 1980). Therefore, the price regulation undertaken by regulators in the national interest is justified as the secondbest option. A popular mode of price regulation is to subsidize the un-economic services for regional and local airline operators on economic constraints. Price regulation cannot be seen as a complete regulatory failure since one of the important purposes of regulation is to protect certain industries, firms, and services from lower-cost competition for their continued economic viability. Cross-subsidization is another form of price regulation wherein the prices are set above incremental costs that generate adequate revenues to support additional services that are priced below incremental cost (common in electric, telephone, and transportation services). Conflicts between the new demo-
cratic governments and the media sector in post-apartheid South Africa arose due to difference of opinion on whether media should serve the national interest or public interest. Unlike in the US, where the national interest referred to control measures taken on the flow of information in the interests of state security, the South African media asserted its role to serve the ‘public interest’. In the globalization of higher education, many sovereign states are accused of regulating their internal affairs, which is detrimental to the global transmission of knowledge.

**National interest amid the federal government**

Often, regional states in the US, relying on their power to regulate all forms of conduct, rely on regulations that prioritize regional state interests over national interests. Federal agencies (federal courts and Congress) can limit a state’s power to compromise national interests. A spillover model can be used to resolve federalism disputes arising among local versus national regulations. In the spillover model, each federal agency evaluates the state regulations that are made in its regulatory area. In case of possible conflict, the federal agency enters into a dialogue with concerned state authorities; while preempting any state regulation, the federal agency is required to ensure the participation of concerned state authorities in the proceedings (Pierce, 1984). The American Constitution grants power to Congress to enact laws for regulating interstate commerce. The Supreme Court has found implied affirmation of national interest to protect interstate commerce from interferences. This national interest prohibits states from enacting laws that may compromise the free flow of interstate commerce. However, the occasional pursuit of incompatible national interests can lead to conflicts between societies.

**International regulation and national interest**

Regulatory arrangements at the international level may not be construed straightforwardly as an outcome of competition between national interests (Dodd, 2000). The researchers working on transnational and international regulatory issues should consider the nation-state a central unit of analysis. A set of factors (in addition to national interest) act as an incentive for cooperation among nations. More than one national regulatory regime may compete against each other in a few cases, while in other cases, national regulation and international regime may coexist. Thus, National-state plays a central role in international/ transnational regulatory processes and may also play a role beyond ‘national interest’.

**Regulatory outcomes**

In view of insignificant improvement in public safety risks despite a number of reforms initiatives in Russia, Yuzhakov et al. (2020) recommended for implementation of reform in regulatory enforcement/inspection activities based on the perceptions of the citizens. The authors conducted a sociological survey to investigate the viewpoints of the private business community on the intermediate outcomes of the regulatory enforcement reform undertaken in Russia to transform the business climate. Less than 28 percent of the respondents agreed that general regulatory enforcement had a positive impact on their business performance.
Regulatory quality

Regulatory quality is one of the six dimensions of governance, the others being voice and accountability, government effectiveness, political stability and absence of violence, rule of law, and control of corruption (World Bank, 2019). Regulatory quality reflects the perception of the “ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development”. It is calculated based on various representative and non-representative sources (World Bank, 2020).

The regulatory quality indicator estimate ranges from approximately -2.5 (weak) to 2.5 (strong). As per the Regulatory Quality Index of the World Bank (Global Economy-RQI, 2019), Hong Kong ranks highest with a regulatory quality indicator (RQ indicator) of 2.16, while North Korea ranks lowest (-2.34). India is ranked 109 (RQ indicator of -0.25) which is lower than China (97th with an RQ indicator of -0.15). The global average value of the RQ indicator, covering 193 countries is -0.02. However, India’s RQ indicator estimate has improved from -0.55 in 1996 to -0.25 in 2017 and the corresponding percentile rank (100 for the highest value) has improved from 26.09 to 42.31.

Börzel (2016) has delved on the issue that Europe, due to lack of integration, has failed to govern the multiple crises. The author has argued that a widening “commitment-compliance gap” by the member states, rather than a lack of authority, is the reason behind the regulatory deficits of EU governance. The difficulties of member states to translate commitments at EU platform into practice can be traced to the dominance of Euro-nationalists in EU policies and institutions. In the author’s view, there is an outright rejection of European integration, through mobilization of illiberal, nationalist ideas of Europe –Euro-nationalism undermines the legitimacy and effectiveness of EU governance. The resulting structure is not able to address redistributive issues. The EU despite this constraint has an average RQ indicator value of 1.13.

OECD and regulatory governance

The Organisation for Economic Co-operation and Development (OECD) has worked closely with with OECD members and non-members States in various ways to promote co-operation in regulatory policy and governance (OECD, 2017). The OECD support countries to “develop and implement good regulatory practices; help countries achieve better social, economic and environmental objectives; assist governments in improving regulatory quality to foster competition, innovation, economic growth and meet important social objectives”. OECD views safety inspections as an effective regulatory enforcement mechanism. Inspection is viewed as a set of activities (visit, check, etc.) conducted on documents, products, activities, or business premises to control compliance of regulations (OECD, 2014). Risk based approaches to regulation and enforcement perceives risk as something that could be mitigated through intervention, thereby leading to creation of new rules, regulations and regulatory institutions (Blanc and Pereira, 2020).

Dobrolyubova (2017) used a mix of qualitative and quantitative methods to explore how the approaches to measure the performance of government en-
enforcement/inspection bodies in OECD countries have evolved. This review of various such enforcement/inspection bodies helped in identification of objectives of those organizations, important indicators (along with data sources) that could be used to assess their performance.

Use of regulation for strategic outcomes

The strategic use of regulation may be construed to include attempts on the part of business organization(s) or others with similar interests to modify the economy’s underlying legal or political framework to their advantage. Many times, a few firms succeed in wrapping their private strategic interests in the garb of public interests to justify regulations that serve their interests rather than support public welfare or the free-market (McCormick, 1984). Globalization, characterized by integrating societies and economies worldwide to develop a global economy, may be viewed as strategic political, economic, and technological exchanges driven by advancements in infrastructure, transportation, and communication. Positive integration factors contributing to globalization include the standardization of international economic policies and laws. In contrast, negative integration may occur in the form of reduction/ removal of trade barriers such as quotas and tariffs. Both positive and negative integration played a very strategic role in globalization.

Regulation is strategically used both by regulators and industry to their advantage. The regulators use it to achieve desired outcomes, enhance compliance with the law by modifying the behavior of industry, firms, and individuals. Regulation can also generate losers and winners through a set of political and legal processes. The regulations often reward the industry for investing in influencing legislators and regulators to gain favorable regulations (Veljanovski, 2013). The regulatory benchmarking can lead business firms to tweak virtual (rather than true) performance improvements by gaming, with the regulatory benchmarking, violating the schemes’ objectives. The strategic behavioral change may result in deadweight losses, welfare transfers from customers to firms or among firms. Firms’ strategic behavior may be countered by increasing data accuracy and improving data collection procedures (Jamash et al., 2003). Other researchers have investigated how business organizations can make strategic use of regulation to derive strategic competitive advantage and protections from the regulators.

Governmental regulations may greatly influence the performance outcomes and strategies adopted by business organizations. For instance, in the aviation sector, operators which adopted coherent strategies vis-à-vis regulations achieved better profitability and efficiency. In particular, defender firms performed better than those that adopted prospector strategies. Researchers have emphasized that interventionist industrial policy may bring beneficial strategic effects on the aviation industry. For instance, such a policy may exploit strategic competitive advantages conferred by abundant land and substantially large domestic aviation markets. Steinitz and Ingrassia (2009), through comparative case studies of France, the United States, and India, have identified key issues that an investor needs to examine while planning strategic investments, namely, governing law, screening mechanisms, judicial review mechanisms, sensitive sectors, etc. In addition, innovation...
in environmentally cleaner technology may be incentivized through ratcheting up regulations in a scenario where firms do not follow regulation-takers behavior. For this, a shift from welfare-improving regulation to a strategic regulator-firm game (with stricter regulations) may be required (Puller, 2006).

**OECD suggestions on Regulatory Governance in developing countries**

The new set of five priorities outlined for India and other developing countries by OECD in 2017 are – “reducing administrative and regulatory burdens on companies; simplifying and modernising labour laws to create more and better jobs for all; enhancing access to, and quality of, the education system; improving infrastructure and easing land acquisition; undertaking wide-ranging financial sector reforms” (OECD, 2017). India is among the most active participants in OECD activities among non-member States. India adheres to twelve OECD legal instruments and plays an active role in the “development of international standards on international taxation, corporate governance, competition, chemicals, steel and energy”.

**Responsive regulation vs Smart regulation**

Responsive regulation expects governments/ regulators to be responsive to the conduct of the regulated entity and the overall regulatory environment while deciding on the extent of required intervention response (Ayres and Braithwaite, 1992). The responsive regulation does not bestow exclusive regulatory rights to the government but even allows civil society actors to regulate responsively. It can go one step further and allow civil society to regulate governments responsively, if needed (Gunningham and Sinclair, 2017).

The smart regulation approach demands focus on broader regulatory interactions/ influences, including: trading partners, supply chain, financial institutions, and commercial institutions; international standards institutions; self-regulation by industry associations and peer pressure; culture and internal environmental management; and civil society (Gunningham and Sinclair, 2017). The realization that both traditional command-and-control regulation and the free market failed to solve complex environmental problems resulted in the evolution of smart regulation. Smart regulation uses a broader range of policy tools (self-regulation, economic instruments, and information-based strategies). The weakening of the state and neoliberalism dominance have also enhanced the influence of NGOs and businesses in the regulatory space, thereby, catalyzing the emergence of smart regulation based on a series of regulatory design principles.

**Discussion**

**Meaning of regulatory identity**

From the previous sections 3 and 4, it is obvious that academic articles have dealt with one or two attributes of regulatory identity failing to draw a holistic evaluation of the regulatory ecosystem using all the five attributes of regulatory identity.

The purpose of regulation carries a spectrum of definitions and descriptions for general and sector-specific instances. The restrictive approach of authors and
practitioners to a few specific descriptions of regulatory purposes adds another dimension to this problem. It appears as if the purpose of regulation is picked differently or given words on a need basis by different stakeholders. Thus, it is very difficult to come up with a list of universal, country-specific, or sector-specific regulatory purposes. From the regulator’s perspective, the general purpose of the regulation (optimum welfare of the public) supports the growth of all segments of the industry, firmness in the market forces. Regulatory policy at the international level, national level, and sector-specific application description may be kept flexible. The list of regulatory purposes includes making changes in the market less abrupt, enhancing market efficiency, vying for a perfect competitive market, tackling market failure, protecting from the low-cost competition, protecting the interest of consumers and the common public, protecting the public, and controlling risk business.

The regulatory philosophy may not be as explicit as the regulatory purpose. Understanding of philosophy of regulation is more subjective. However, the variation may be less as compared to the purpose. A possible explanation may be that it is less talked about as a concept compared to the purpose. The regulatory philosophy is the general approach of regulatory institutions towards regulations that help them identify priorities, rationalize activities, and establish effective communications with their stakeholders. The evaluation of existing regulatory frameworks and trends can be used to understand the underlying regulatory philosophy of a regulatory eco-system. The regulatory philosophy exhibits region-specific support. For instance, the US, Germany, and Japan regulations are driven by free-market theory, market fairness and social security by government, and no-principle approach, respectively. The political, economic, ideological, and cultural interests together may characterize the regulatory priorities of each society in each of its distinct timeperiods. The regulatory decision-making, on the other hand, is influenced by the regulator’s wisdom, along with political and legal culture. Regulatory decision-making is mostly required on issues that lack scientific knowledge. Regulatory priority is normally assigned to the issues that are newly discovered, poorly understood, devoid of scientific knowledge, and gained sudden importance.

Regulatory practices may include activities undertaken to give effect to regulatory provisions, procedures, and steps that guide the formulation and implementation of regulation by governments. The regulatory processes may allow transparent contestations of regulatory options. Regulatory processes, in general, are characterized by the continued requirement of balancing interests and conflicts among different stakeholders. Poor regulatory processes may result in poor design and implementation of regulations. The bureaucratic organization may add to inertia associated with regulatory practices and processes. This explains why the change in political regime may not necessarily result in a change in regulatory processes. Regulatory projection covers the image which any regulatory institution promotes about itself among its various stakeholders. For instance, an image of altruism promoted by the legal profession may be viewed as their projection. In the global context, it reflects the competency of any regulatory actor to extend domestic regulations beyond geopolitical borders.
Meaning of strategic outcome

The strategic outcomes of the regulatory process can be mostly linked to the national interest, which is an outcome of the debate, deliberations, negotiation, and questioning in the context of the nation-state. When intended to gain political advantage, industry regulation may result in the adoption of protectionist policies and regulations under the aegis of national interest groups. However, this approach may prove detrimental to international trade. Often, the national interest is perceived as well served if regulations can ensure strong competition in the market. Similarly, price regulation and cross-subsidization carried in the national interest are justified because of economic constraints, protection of certain industries, firms, and services from lower-cost competition for their continued economic viability.

The regulatory process may vie for the following strategic outcomes:

– reduce bureaucratic interference that protects incumbents and undermines the desired regulatory autonomy;
– bring in checks and balances to protect consumer interests, give more importance to consumers’ voices;
– make regulatory processes more transparent and accountable, both in case of sectors with independent regulators and government-styled regulators;
– improve safety and soundness of institutions and also strengthen efficiency, diversity, and profitability of business systems;
– synchronise business systems with global standards in terms of prudent regulation and performance;
– develop a coherent philosophy of regulation for ensuring a uniform and consistent regulatory framework;
– prevent the occurrence of frauds.

Regulation may be strategically used by both regulators and industry to their advantage. The regulators may use it to achieve desired outcomes, enhance compliance with the law by modifying the behavior of industry, firms, and individuals. On the other hand, the regulatory benchmarking may lead business firms to tweak virtual performance improvements by gaming with the regulatory benchmarking, and violating the schemes’ objectives.

Variation in adoption and outcomes of regulatory reforms

This subsection shall find why privatization and other regulatory reforms exhibit variation in adoption and outcomes in different sectors, countries, and regions.

The political, economic, ideological, and cultural interests together may characterize regulatory priorities, which may, in turn, affect the targeted strategic outcomes of a nation in any given period. Thus, regulatory decision-making is influenced by the regulator’s wisdom and national political and legal culture. The strategic outcomes of the regulatory process can also be linked to the national interest, which is an outcome of the debate, deliberations, negotiation, and questioning in the context of the nation-state.

Although the privatization and liberalization reforms in most developing nations were fuelled by the recommendations of multilateral agencies, like the
IMF and World Bank, there existed no straight jacket approach when it came to implementation at ground level. Further, the core regulatory cultures, the political systems, and the bureaucracy that existed in those countries before reforms were vastly different. The difference in core regulatory culture, particularly regulatory priorities, existing in developing countries might have given a slight but distinct variation to the initial direction of regulatory reforms. The variation in the adoption of regulatory reforms among different countries and sectoral variation within a country might have attributed to diverse outcomes vied by the policymakers and regulators (Mishra and Kumar, 2021). For example, when intended to gain political advantage, regulation of the industry may result in the adoption of protectionist policies and regulations under the aegis of national interest groups.

The privatization and market liberalization reforms demanded a shift in the underlying approach from continental to Anglo-Saxon philosophy. However, different countries that undertook such reforms might not have accepted such a shift in regulatory philosophy similarly whereby they were required to give a neo-classic emphasis on efficient market and agile regulations.

The leaderships in developing countries were often skeptical about the real intent of globalization and neoliberalism reforms against their projection as a harbinger of economic growth. The reforms were critiqued as a new form of free-trade imperialism, practiced by the UK and the USA, and increasing the degree of inequality among countries and among the rich and poor citizens within a country. Thus, there was always a lack of trust in these reforms, which prevented developing a cohesive regulatory philosophy across different sectors in the adopting countries.

Enhancing the effectiveness of regulatory reforms

This subsection shall find why repeated regulatory reforms fail to bring in desired changes in the industry or timely achieve the intended objectives connected to those regulatory reforms. It shall also explain how to enhance the effectiveness of regulatory governance.

5Ps model of Regulatory Cultural Identity – Regulatory priorities, the strategic layer of values, surrounding the purpose and philosophy attributes of the core culture relax to some extent the requirements of endurance and distinctiveness in the organizational core culture. The practice and projection attributes need to be aligned with the core culture to ensure strategic outcomes. Regulatory change may be executed effectively by understanding, managing, and realigning the organizational identity appropriately. Effective regulatory identity may entail bringing in the sense of stability by preserving purpose and philosophy from abrupt changes. This is based on the assumption that the regulatory change may be executed by modifying its priorities, processes and practices, and projections in most cases. The new changes being introduced should be aligned with the purpose and philosophy attributes of the regulatory framework (refer to Figure 3).

The failure of regulatory reforms to bring desired outcomes may be linked to handicaps prevalent in the regulatory decision-making. The capability of decision-making is influenced by the regulator’s wisdom, along with political and le-
gal culture. Further, regulatory decision-making is mostly required for issues that lack scientific knowledge. Regulatory priority is normally assigned to the issues that are newly discovered, poorly understood, devoid of scientific knowledge, and gained sudden importance.

The erstwhile Planning Commission, the Planning Body of Government of India, attempted to develop a coherent philosophy of regulation for ensuring a uniform and consistent regulatory framework (institutions and vested powers) across different sectors, autonomy to regulators, and enhancement of competitiveness (Dubash and Rao, 2008). This proposed regulatory philosophy was supposed to cater to telecom, electricity, airports, ports, post, petroleum and natural gas, water, and other planned sectors. However, the adoption of this proposed regulatory philosophy was not satisfactory.

Figure 3. Regulatory institutions: 5 Ps model of Regulatory identity.

Sources: Inspired by Margolis (2009).

The regulatory processes may often lack transparent contestations of regulatory options. Regulatory processes, in general, are characterized by the continued requirement of balancing interests and conflicts among different stakeholders. Poor regulatory processes may result in poor design and implementation of regulations. The bureaucratic organization may add to the inertia associated with regulatory practices and processes. This explains why the change in political regime may not necessarily result in a change in regulatory processes. Many regulators fail to build appropriate regulatory projections among their various stakeholders, due to which they cannot develop strong collaborative relationships with them. Regulatory priorities together with regulatory projections also impact the views of regulatory institutions’ members about their organizations. In the global context, regulatory projections reflect the competency of any regulatory actor to extend domestic regulations beyond geopolitical borders. The regulatory identity and its role in regulatory space dynamics needed for strategic outcomes are depicted in Figure 4.
Conclusion

In the study, we have extended the concept of organizational identity and its five characterizing attributes to regulatory institutions in the regulatory space through a thematic review of the previous articles. There is a lack of a holistic evaluation of the regulatory framework covering all these five attributes of regulatory identity. We have attempted to bridge this research gap by first building an understanding of how these regulatory identity attributes have evolved in public policies and regulation domains. Next, we have applied regulatory identity as a conceptual lens to understand wicked regulatory governance issues. Finally, we have proposed a framework for regulatory identity and regulatory space dynamics needed for strategic outcomes.

A regulatory culture may be construed as a matrix of ideas, attitudes, and beliefs used by a regulator in rule-making, investigation, and setting ethical standards for fair use of government power. The underlying traditions, standards, and taboos set the contours of behaviors of regulators deemed ‘normal’ in contrast to others criticized (Kane, 2016).
The regulatory framework, deficient in understanding the existing regulatory culture and identity, may not effectively operationalize regulatory reforms. In addition, there may be a general lack of understanding regarding the linkages among the 5Ps attributes and reforms desired in any industry. We hypothesize that the processes and projections of the regulatory framework need to be aligned with the core regulatory culture, constituted by purpose, philosophy, and priorities, for achieving strategic outcomes. In other words, transforming the regulatory framework for strategic outcomes shall entail better alignment among the purpose, philosophy, priorities, practices, and projections of the regulatory governance institutions.

A change in the long-term strategy should trigger a reassessment of organizational priorities followed by the realignment of the core regulatory culture to guide decision-making and organizational actions. Regulatory processes, both internal and external, are those actions and behaviors that keep the organizational core culture alive. Therefore, they must be aligned with the core culture of the organization.

We have used the conceptual lens of regulatory culture and regulatory identity to understand better two wicked problems related to regulatory governance (Why do privatization and other regulatory reforms exhibit variation in adoption and outcomes in different sectors, countries and regions? Why do repeated regulatory reforms fail to bring in desired changes in the industry or timely achieve the intended objectives connected to those regulatory reforms?). Future studies may apply regulatory identity as conceptual lenses to better understand a wider set of wicked problems related to regulatory governance.

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